

STATEMENT

of

**AL WALLACK, PRESIDENT
VOYAGER HOLDINGS, INC.**

on

S. 1510

UNITED STATES CRUISE SHIP TOURISM DEVELOPMENT ACT OF 1999

to the

COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

OCTOBER 6, 1999

Mr. Chairman and Members of the Committee:

My name is Al Wallack. I am the President of Voyager Holdings, Inc., a wholly-owned subsidiary of the D'Arcinoff Group. The D'Arcinoff Group is a United States corporation whose present ownership and management consists of cruise, leisure, and shipyard industry professionals. Voyager Holdings was formed to acquire, operate, and construct large, modern cruise vessels for the United States domestic market.

As for myself, I have spent my entire adult working life in the tourism industry, first in the airline industry and, since 1981, in the cruise industry. I was a founder and Senior Vice President of Celebrity Cruises; the Chairman of the Cruise Line International Association (CLIA) and twice chairman of this cruise industry association's marketing committee; and, most recently, President of Royal Olympic Cruises, USA.

Mr. Chairman, the D'Arcinoff Group and Voyager Holdings support your legislation, S.1510. We support this legislation because the status quo as defined by the existing statutory and regulatory framework governing the operation of cruise vessels in the domestic trades simply has not and will not work to achieve the goal of a fleet of large, modern U.S.-built, U.S.-flag cruise vessels. Unless the existing law is adapted to meet the realities of the cruise industry - as it has been done in the past to assist companies that want to develop and expand domestic cruise vessel operations - our country will continue to lose a tremendous opportunity to participate in the economic benefits that are derived from expanded cruise vessel operations.

We support the enactment of S. 1510 because it will allow Voyager Holdings and any other American company to acquire existing foreign cruise vessels for reflagging and immediate operation in the United States domestic market under the United States-flag. Based on my personal experience and observations, and the history of the cruise industry itself, it is clear that virtually every major cruise line has either started operations or expanded and modernized its operations by acquiring existing ships and establishing a market presence and identity before and during the time it expended the capital to build new ships. This pattern, followed by the large cruise lines at their beginning, serves as a blueprint which can and should — and must — be followed by companies seeking to enter this highly competitive business today.

The development and growth of a cruise line is market driven, and the decision to obtain and build cruise ships, and where to operate, is an economic determination. It is, as the lack of an oceangoing United States-flag cruise vessel fleet demonstrates, a decision that is greatly influenced by the relevance of the legal framework governing cruise vessel operations to the nature of the industry itself. Otherwise, the existing law would be working.

As I stated, history repeatedly shows that to be successful, the cruise venture begins with a realistic bridge strategy, a strategy that allows a company to operate in its chosen markets while it has more attractive and more modern vessels under construction. This bridge strategy allows the company to offer consumers a new cruising option, laying the groundwork for the introduction of its new ships.

For Voyager Holdings, therefore, the most significant aspect of S.1510 is that its enactment will allow us to implement our bridge strategy and to proceed with our plans to acquire existing cruise vessels for operation in the United States domestic market. Given the opportunity authorized in this legislation, Voyager Holdings will implement our plans to acquire vessels, to

place them as quickly as possible under the United States-flag, to provide significant new employment and economic opportunities to American shipboard and shore side labor, and be in a position to offer Americans new business and pleasure cruise options aboard American ships.

In short, the enactment of S.1510 will give Voyager Holdings the final ingredient to start a new American flag cruise line. It will allow us to implement a bridge strategy, a strategy that will allow us to bridge the gap that would otherwise exist by operating existing cruise vessels as new vessels are being built in an American shipyard. The amount of capital required to build cruise vessels, and the amount of time it takes, added to the fact that many United States domestic markets and itineraries are untested, make it essential that Voyager Holdings and other companies interested in entering the domestic cruise trades be given the opportunity to follow the same path to success that other cruise lines have followed. It is, in my opinion and based on my experience in the cruise industry, unrealistic to expect American cruise vessel ventures to succeed in any other fashion.

We are also extremely pleased that S.1510 contains a preference for United States-built and United States-flag cruise vessels over foreign cruise vessels when the Secretary of Transportation approves itineraries. This provision of the bill is necessary to encourage vessel owners to expand United States cruise vessel operations and to eliminate a disincentive to American cruise vessel operations.

Equally important, we support the provision in S.1510 that is intended to apply United States laws equally to United States-flag and foreign flag vessels operating in the domestic cruise trades. Again, we feel very strongly that cruise vessel development legislation should encourage, not discourage, the operation of large United States-flag cruise vessels. We are confident that the Secretary of Transportation will ensure that American law does not work to the disadvantage of the American cruise industry.

Voyager Holdings is not afraid to compete — provided that our competition plays by the same set of rules we are obligated by law to uphold. If implemented the way we believe it is intended, S.1510 can and should help guarantee that ultimately, large cruise vessels operating between United States ports will be built in the United States and operated under the United States-flag by American workers.

In conclusion, I would like to thank you, Mr. Chairman, and the cosponsors of S.1510 for introducing this important and long-overdue legislation that provides the incentives to develop a United States-flag cruise vessel fleet. Given the authority contained in this legislation, we are ready and eager to begin operating United States-flag cruise vessels in the United States domestic cruise trades.